

Doing business a new way

By Jerry Toenyes

In the one-and-a-half years since restructuring started in California, we have seen many changes in the way we do business. More changes will come for the Sierra Nevada Region and Western. Changes include:



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◆ **California Power Exchange:** SN joined the PX in June and is coordinating with CRSP to also become a PX participant. Open to any qualified electricity buyer or seller, the PX is a central exchange that provides the market-clearing price for electricity in California. SN joined the PX to purchase for and/or sell resources of existing Central Valley Project preference power customers as part of our Scheduling Coordinator service. SN can also make supplemental power purchases from the PX to support contractual obligations. The PX is an additional market of supplemental power, allowing SN to shop for the best available price to keep the overall firm commercial rate low.

◆ **Reliability:** The advent of merchant plants and a new Reliability Management System increase the "spotlight" on reliability. In the "old world," transmission outages were handled on a more informal, cooperative basis by utilities. When single entities owned both transmission and generation, generation losses due to isolated outages were less critical to a company's bottom line since it traded energy with neighboring utilities. Under restructuring, that is no longer the case. Merchant plants generate electricity and transmit it over lines owned by others, including Western. When a merchant plant can't sell generation due to an outage, that is a direct loss to the company's revenue. If a merchant plant loses sales due to an outage caused by Western, our role in the outage will be more visible and we may get sued for the amount of the loss.

On June 18, Western executed Western Systems Coordinating Council's Reliability Management System agreement. Along with 22 other WSCC members, Western signed an agreement, signaling our support and participation in a new reliability program. Western will now be subject to sanctions for outages caused by our organization.

◆ **Customer Service:** For Western to succeed in the new business environment, it must provide excellent customer service. SN has joined the PX to provide purchase or sales services as requested by our customers and we are providing Scheduling Coordinator service with the California Independent System Operator on behalf of some customers. I have been visiting customers, and have repeatedly heard comments about the importance of customer service. We must continue working in programs from marketing to maintenance to provide customer service, including cooperative efforts to reduce costs.

◆ **California Independent System Operator:** The California ISO is conducting a stakeholder process, in which Western is participating, on how transmission charges should be applied in California. This is a key issue faced by both the California ISO and other areas considering establishing ISOs or similar organizations. Among the options being considered are retaining utility-specific charges or going to a regional/statewide charge.

Utility-specific charges were used before establishment of the ISO and remain in effect until the new fee structure is adopted. Under this fee structure, retail customers pay a transmission charge developed by the utility that delivers the power. A concern for Western under this option is the possible inability to collect its revenue requirements due to a lack of retail load.

The alternative approach is a regional/statewide access charge in which the same charge is levied for transmission anywhere in the state. The primary issue in this approach is cost-shifting. Since Western's costs are less than regional or statewide average costs, our customers would have to pay more for the same service they are receiving today. Discussions on this issue include ways to mitigate cost shifting and what cost shifting is appropriate. Western will follow industry restructuring proposals closely to ensure that we can continue to provide cost-based, high quality services to our customers.

(Note: Toenyes is SN regional manager.)